

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

Some Telephone Tax Refund Requests May Be Too High; IRS Will Deny Improper Requests

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WASHINGTON — The Internal Revenue Service said today that early filings show some individual taxpayers have requested large and apparently improper amounts for the special telephone tax refund. The IRS is investigating potential abuses in this area and will take prompt action against taxpayers who claim improper refund amounts and the return preparers who help them.

“While the vast majority of taxpayers are claiming the telephone tax refund correctly, we are seeing some clear abuse involving overstated refund requests,” said IRS Commissioner Mark W. Everson. “People requesting an inflated amount will likely see their refund frozen, may have their entire tax return audited and even face criminal prosecution where warranted.”

The government stopped collecting the long-distance excise tax last August after several federal court decisions held that the tax does not apply to long-distance service as it is billed today. Federal officials also authorized a one-time refund of tax collected on service billed during the previous 41 months, stretching from the beginning of March 2003 to the end of July 2006. The tax continues to apply to local-only phone service.

The IRS checked a sample of returns filed through mid-January and found that some individual taxpayers requested telephone tax refunds that appear to be excessive:

- In some cases, taxpayers appear to be requesting a refund of the entire amount of their phone bills, rather than just the three-percent tax on long-distance and bundled service that they are entitled to.
- Some individuals are making requests for thousands of dollars, indicating that they had phone bills topping \$100,000 – an amount exceeding their income.
- Some tax preparers are helping their clients file apparently improper requests.

“If we find inappropriate refund claims, we will aggressively pursue tax preparers and promoters who make the improper requests, and we will contact individual taxpayers in egregious situations,” Everson said. “Audit letters will be sent out soon and, when appropriate, our investigators will visit tax preparers who have been preparing questionable telephone tax refunds.”

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The IRS is making it as easy as possible for taxpayers to get this special refund. Research and contacts with telephone service providers indicated that standard refund amounts, ranging from \$30 to \$60, based on the number of exemptions claimed on their tax return, would approximate the eligible amount for most taxpayers.

Taxpayers do not need to present proof for requesting the standard amount. Alternatively, they can figure the refund using the actual amount of tax paid, based on their phone bills and other records. These documents should not be sent along with the refund request but should be retained in case the IRS questions the amount requested.

The IRS reminds taxpayers that the best way to avoid mistakes and get a refund quickly is to file a return electronically and have the refund deposited directly into a checking or savings account. Electronic-filing software helps taxpayers figure tax breaks, such as the telephone tax refund, accurately and report them properly. Free e-file services are available to low and moderate-income taxpayers (incomes of \$52,000 or less) through the Free File link on IRS.gov.

Another way to avoid mistakes is to stay away from unscrupulous promoters and tax preparers who make false claims about the telephone tax refund and suggest that many, if not most, phone customers can get hundreds of dollars or more back under this program. The best and most reliable information on this unique refund can be found in the Telephone Excise Tax Refund section on the front page of IRS.gov, the tax agency's popular Web site. Here, taxpayers can download forms, find answers to frequently-asked questions and link to participating private-sector Free File partners offering free electronic-filing services.